

COMMITTEE ON FINANCE

December 3, 2002

Upon Recess of BMA

Mayor Baines called the meeting to order.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, Shea, DeVries, Smith, Thibault, Forest, Lopez and O'Neil

Absent: Alderman Garrity

Messrs.: Robert MacKenzie, Felix Torres, Sal Hubbard

Mayor Baines addressed item 3 of the agenda:

3. Notice for Reconsideration made by Alderman Gatsas relative to approval of:

A. Resolution:

“Amending the FY2002 and FY2003 Community Improvement Programs, transferring, authorizing and appropriating funds in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) for FY2003 CIP 611403 Renaissance 7 Affordable Housing Project.”

B. CIP Budget Authorization

2003 611403 Renaissance 7 Affordable Housing Project –
Revision #1

(Aldermen Gatsas, O'Neil and Garrity having voted nay. Aldermen Guinta, Sysyn, Osborne, Pinard, Lopez, Shea, DeVries, Smith, Thibault, and Forest having voted yea. Alderman Wihby was absent from the vote.)

Note: Alderman Gatsas or any alderman having voted in the affirmative may move for reconsideration.

Mayor Baines asked what would the process be.

Deputy Clerk Johnson replied there was a notice for reconsideration given and the procedure now would be for a motion to reconsider if he so desires.

Alderman Gatsas moved for reconsideration. Alderman O'Neil duly seconded the motion. There being none opposed, the motion carried.

Alderman Gatsas stated I think this is imperative that we send this back to CIP to get some information where we're talking about 30 units of the cost of \$180,000 a unit for rehab and new construction. I think it's imperative to this Board to start looking at numbers when you're looking at a \$5.4 million cost for a project, when you're talking about 30 units at \$180,000 per unit. I understand that certainly it is talking about workforce housing and the initiatives that we want to find housing for that segment of the population, but I think it's imperative for this Board to get a clear understanding of how we're spending those funds and where they're going because I think at a \$180,000 a unit I think it's a prohibitive amount.

Alderman Shea stated maybe if we could hear from the people at Neighborhood Housing concerning this.

Mayor Baines stated we are just going to have some discussion because it might help people decide whether they want to reconsider or not. Please proceed.

Mr. Torres stated I think we can just start by laying out some of the costs as projected. Sal Hubbard is our Director for that department.

Alderman Gatsas asked is there a handout, your Honor.

Ms. Hubbard replied I have three or four copies.

Mayor Baines stated we can made additional copies, please proceed.

Ms. Hubbard stated we're assuming, we're hoping to get about 10 sources of financing into this project of which the City HOME funds is a very important piece and of the \$5.4 million as I mentioned that is about one of ten sources of financing which do add up to a large amount of money. The NHS has already put \$1.3 million into this project in acquisition that's a relatively large number of the total and we're also committed to paying the acquisition loan interest until the time of conversion to construction financing. We're looking at construction being close to \$3.1 million and then there are miscellaneous soft costs such as architectural and engineering, interim construction costs such as construction loan interest being a relatively large number within that category...other financing fees, holding costs, appraisals, market studies, environmental reports, legal fees, a

developer fee which is taken at the end of the project assuming there's any money left and required reserves that New Hampshire Housing requires and all those numbers put together to add up to \$180,000 a unit.

Alderman Shea asked what is the construction cost per unit, per square foot or footage?

Ms. Hubbard replied I don't have far enough architectural for me to be really specific on the number of square feet per unit, we're assuming at this point about \$82.50 per square foot construction costs.

Alderman DeVries asked do you go through any sort of scrutiny for taking out a construction mortgage, is anybody actually going through and analyzing all of the construction costs of the project.

Mr. Torres replied absolutely. The project goes through several levels of scrutiny. The New Hampshire Housing Finance Authority which usually provides the construction financing and permanent financing as well as the low-income housing tax credits. There is an extensive review before they commit any of their resources. In every other financing source there is a review of the project looking at all of the costs and analyzing to make sure their reasonable and legitimate.

Alderman DeVries stated so it would be fair to say that the critical assessment would be similar to if we went to a bank looking for a construction loan we have to prove the project and the viability and feasibility of the project.

Mr. Torres replied absolutely and the Housing Finance Authority is particularly detailed-oriented.

Alderman Gatsas asked could you give me the square footage you have for three 1-bedroom units, what is the square footage of those units, please?

Ms. Hubbard replied I'm sorry but our architectural aren't far enough along for me to give you that at this point with any certainty. Traditionally, our 3-bedroom units range from 1,000 to 1,200 square feet, 2-bedrooms are usually around 900-950 square feet and 1-bedroom is usually around 600 square feet, but those are round numbers and as I said I don't have the architectural to a point where I can really confirm that for you.

Alderman Gatsas stated so the \$82.50 a square foot is merely the construction costs and you have figured...what's the developer's fee?

Ms. Hubbard replied we're looking at a maximum of \$350,000 which includes the historic consultant fee which has to be...for NH Housing standards be added into, well, subtracted from the developer fee.

Alderman Gatsas asked who is the developer?

Ms. Hubbard replied we are the developers.

Alderman Gatsas stated so you're the developer and we're looking to pay you a fee to develop workforce housing.

Mr. Torres replied no you're looking to pay a fee for any developer for the risk they take involved, we're a million dollars as is. We get paid for our risk and it funds all of our programs and I should say that as long as NHIS has been in business in ten years we've never seen our entire developer fee. It is the first thing we put back into the project to make it work. In addition, we put in a substantial number of foundation funds into the project to make it work.

Alderman Lopez stated I have a question for Mr. MacKenzie and his staff. In reviewing this entire project and they have been with the City for approximately 10 years, is this project any different than any other project going through a scrutinized financial process in saying yes from your department that you have done everything that you possibly could do to make this sure that this project was on target.

Mr. MacKenzie replied yes our staff has reviewed the project, we do not necessarily get into the construction dollar amounts because we don't have any estimators but we do look at the ultimate rents that they've proposed, we make sure they meet the federal HUD requirements and we make sure that they meet other requirements that the City would have. So, it has gone through our staff review and we're comfortable with the project as proposed.

Alderman Osborne asked could you give me the square footage of those again, was is 1,200, 1,000 and 800. Is that what you said?

Ms. Hubbard replied no. I said 1,000 to 1,200 on the 3-bedrooms and this is what we've done in the past. This is not this project. Approximately 900-950 on the 2-bedrooms and about 600-650 on the 1-bedrooms.

Alderman Osborne stated so we're talking about \$98,000 for a 1,200 square foot at \$82.00.

Ms. Hubbard replied I use Excel too much, I can't do stuff in my head, but you're probably right.

Mayor Baines asked are there any other questions from the Board before I call for a vote.

Alderman Gatsas asked can I just wait until we get the handout. A question for Mr. MacKenzie...was the documentation that's being passed out to us now, is that documentation that you looked at in doing an assessment for the City side.

Mr. MacKenzie replied I'm not sure what's being handed out. We received a financial pro forma and we received a construction cost breakdown. So, I know that the staff has seen this Exhibit 7 which is the development budget and there was a summary which I do not remember but I assume the staff has seen and I do not see any...we also have an operating or basically a rent schedule proposed for the project.

Ms. Hubbard stated as well as the development budget which is the long page, there is a 15-year operating projection which is the second page and a rent schedule which is the third page.

Alderman Gatsas asked where is the debt service on here.

Ms. Hubbard replied it would be on the second page near the bottom where it says total debt service of \$62,858 that's assuming a permanent mortgage of \$800,000 for 30 years at 6.7% and that's the hard debt that we're anticipating.

Alderman Gatsas stated the total annual income is \$249,000 and the debt service of \$62,858 is only based on \$800,000.

Ms. Hubbard replied that is correct.

Alderman Gatsas asked what happens to the other \$4.6 million in this project?

Ms. Hubbard replied is you look at the sources of permanent funds on the first page you'll see that we're projecting getting State HOME funds in the amount of \$425,000, the \$450,000 in City HOME funds is represented by our request that we're talking about here tonight as well as the \$200,000 already under contract, we have requests into Neighborhood Reinvestment Corporation, we're looking to apply to the Federal HOME Loan Bank of Boston, Affordable Housing Program for \$240,000, the NHS has committed \$107,000 of our funds, the LCHIP funds... actually that would be a variety of historic preservation resources at around

\$760,000...the permanent debt as I mentioned is \$800,000, historic tax credit equity of \$416,000 and low-income housing tax credit equity of \$1.970 million.

Alderman Gatsas stated this project has been approved by the LCHIP.

Ms. Hubbard replied no. We've got a request in to hire a consultant so we can get prepared so we can apply for full funding from LCHIP.

Alderman Gatsas asked what happens is that \$750,000 grant doesn't come forward, if the LCHIP is turned off at the State level.

Mr. Torres replied if that happens we'll go to alternative services...Neighborhood Reinvestment Program has a national program...they are a national corporation funded directly by Congress...historic tax credits, there will be some other options if that will not be funded.

Alderman Gatsas stated, your Honor, I'm a little confused on how we are going forward with a \$5.4 million project when we're not even sure about funding.

Mayor Baines asked are there any other questions from members of the Board, I'd like to call for a vote.

Alderman Wihby replied one more question, your Honor. If these funds don't fall in place and you don't go forward with the development what happens to the money that we're putting it in?

Mr. Torres replied the City keeps the money, we don't spend it till the deal is ready to do.

Mayor Baines called for a vote on the motion for reconsideration.

A roll call voted was taken. Aldermen Gatsas, O'Neil and Garrity voted yea. Aldermen Guinta, Sysyn, Osborne, Pinard, Lopez, Shea, DeVries, Smith, Thibault, Forest and Wihby voted nay. The motion for reconsideration failed.

There being no further business to come before the committee, on motion of Alderman Shea, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee